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MTHONJANENI LOCAL MUNICIPALITY
(REGISTRATION CODE KZN 285)

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998)
Executive Committee	
Executive Mayor	Cllr S.B.K Biyela (Mayor)
	Cllr P.E. Ntombela (Deputy Mayor)
	Cllr N.A. Mbatha (Speaker)
	Cllr D.M. Dludla (Exco Member)
	Cllr M.J. Xulu (Exco Member)
	Cllr E. Masikane (Exco Member)
Councillors	Cllr B.N. Zwane
	Cllr D.F. Xulu (MPAC Chair)
	Cllr H.K.L Zungu
	Cllr J. Mlawu
	Cllr M.N. Biyela
	Cllr M.N. Ndlangamandla
	Cllr M.S. Zulu (Deceased - 26 June 2020)
	Cllr M.V. Mchunu
	Cllr N.N. Nzuza
	Cllr N.P. Shobede
	Cllr P.S.M Mchunu
	Cllr S.P. Buthelezi
	Cllr S.V. Majola
	Cllr T.E. Mpungose
	Cllr T.F. Zincume
	Cllr Z.A. Sibiya
	Cllr M.Z. Ndlovu
	Cllr T.P. Ngema
	Cllr B.M.T. Sibiya
Grading of Local Authority	Grade 1
Accounting Officer	Mr P.P. Sibiya
Chief Finance Officer (CFO)	Mr N.M. Myeni

General Information

Business Address	21 Reinhold Street Melmoth 3835
Postal Address	P.O. Box 11 Melmoth 3835
Contact Number	(035) 450 2082
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	BMM Attorneys

Index

The reports and statements set out below comprise the annual financial statements

GRAP	Generally Recognised Accounting Practice
COGTA	Department of Co-operative Governance and Traditional Affairs
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund
SALGA	South African Local Government Association
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
LED	Local Economic Development
COVID-19	Coronavirus Disease 2019

Accounting Officer's Responsibility and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is partly dependent on the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Mthonjaneni Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the note titled remuneration of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Provincial and Local Governments' determination in accordance with this Act.

The annual financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 30 October 2020 and were signed on its behalf by:

Mr P.P. Sibiya
Accounting Officer

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Notes	2020	2019 Restated*
ASSETS			
Current Assets			
Inventories	3	738 578	445 750
Receivables from Non-Exchange Transactions	4	29 502 826	37 519 957
VAT Receivable	5	2 925 898	730 276
Receivables from Exchange Transactions	6	5 958 391	6 402 037
Cash and Cash Equivalents	7	4 814 293	2 693 794
		43 939 986	**47 791 814**
Non-Current Assets			
Biological Assets	8	1 211 074	2 762 238
Investment Property	9	88 205	106 351
Property, Plant and Equipment	10	383 193 757	369 264 741
Intangible Assets	11	23 401	33 335
Heritage Assets	12	589	589
		384 517 026	**372 167 254**
TOTAL ASSETS		**428 457 012**	**419 959 068**
LIABILITIES			
Current Liabilities			
Payables from exchange transactions	13	28 933 601	26 656 692
Consumer Deposits	14	1 025 806	1 021 012
Unspent Conditional Grants and Receipts	15	17 134	17 134
Provisions	16	5 571 030	3 743 392
		35 547 571	**31 438 230**
Non-Current Liabilities			
Provisions	16	5 785 459	5 759 605
Employee Benefit Obligation	17	2 356 261	3 442 001
		8 141 720	**9 201 606**
TOTAL LIABILITIES		**43 689 291**	**40 639 836**
NET ASSETS		**384 767 721**	**379 319 232**
ACCUMULATED SURPLUS		384 767 721	379 319 232

* See Note 52

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Notes	2020	2019 Restated*
REVENUE			
Revenue From Exchange Transactions			
Service Charges	18	23 270 342	22 284 343
Rental of Facilities and Equipment	19	237 187	261 926
Licenses and Permits	20	1 103 247	1 543 785
Other Income	21	315 668	280 141
Interest Received	22	1 318 277	693 020
Gain on Disposal of Assets		1 419 492	-
Fair Value Adjustments	23	-	1 256 474
Actuarial Gains		1 085 740	-
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		**28 749 953**	**26 319 690**
Revenue From Non-Exchange Transactions			
Revenue			
Property Rates	24	14 235 566	12 125 009
Property Rates - Penalties Imposed	24	1 321 972	1 328 042
Transfer revenue			
Government Grants & Subsidies	25	119 157 000	113 421 000
Fines, Penalties and Forfeits	26	507 390	426 150
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		**135 221 928**	**127 300 201**
TOTAL REVENUE		**163 971 881**	**153 619 891**
EXPENDITURE			
Employee Related Costs	27	(56 109 289)	(50 808 070)
Remuneration of Councillors	28	(9 317 067)	(8 727 127)
Depreciation and Amortisation	29	(19 912 282)	(17 093 698)
Interest Paid	30	(990 712)	(341 816)
Asset Impairment	31	(10 275)	-
Lease Rentals on Operating Lease	32	(1 209 810)	(482 756)
Bulk Purchases	33	(19 091 365)	(22 302 722)
Contracted Services	34	(22 430 215)	(23 717 626)
Fair Value Adjustments	23	(1 551 163)	-
Actuarial Losses		-	(681 000)
Operational Costs	35	(27 901 214)	(29 421 240)
TOTAL EXPENDITURE		**(158 523 392)**	**(153 576 055)**
SURPLUS/(DEFICIT) FOR THE YEAR		**5 448 489**	**43 836**

* See Note 52

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	379 288 616	379 288 616
Adjustments		
Prior year adjustments	(13 220)	(13 220)
Balance at 01 July 2018 as restated*	**379 275 396**	**379 275 396**
Changes in net assets		
Deficit for the year	(351 366)	(351 366)
Change in net assets*	395 202	395 202
Total changes	43 836	43 836
Balance at 30 June 2019	**379 319 232**	**379 319 232**
Changes in net assets		
Surplus for the year	5 448 489	5 448 489
Total Changes	5 448 489	5 448 489
Balance at 30 June 2020	**384 767 721**	**384 767 721**

* See Note 52

Mthonjaneni Local Municipality
(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Notes	2020	2019 Restated*
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Rates		13 870 856	13 361 388
Sale of Goods and Services		17 807 005	26 263 886
Grants		119 157 000	113 421 000
Interest Income		1 318 277	695 572
		152 153 138	153 741 846
Payments			
Employee Costs		(65 426 356)	(59 564 422)
Suppliers		(51 145 561)	(59 834 772)
Interest Paid		(990 712)	(341 816)
		(117 562 629)	(119 741 010)
NET CASH FLOWS FROM OPERATING ACTIVITIES	37	**34 590 509**	**34 000 836**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(35 281 621)	(34 972 944)
Net proceeds from sale of property, plant and equipment	10	2 811 611	-
Purchase of Other Intangible Assets	11	-	(14 300)
NET CASH FLOWS FROM INVESTING ACIVITIES		**(32 470 010)**	**(34 987 244)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2 120 499**	**(986 408)**
Cash and Cash Equivalents at the beginning of the year		2 693 794	3 680 200
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	**4 814 293**	**2 693 792**

* See Note 52

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property Rates	19 981 000	-	19 981 000	-		19 981 000	15 557 538		(4 423 462)	78 %	78 %
Service Charges	32 998 000	52 000	33 050 000	-		33 050 000	23 270 342		(9 779 658)	70 %	71 %
Investment Revenue	750 000	-	750 000	-		750 000	1 318 277		568 277	176 %	176 %
Transfers Recognised - Operational	85 379 000	745 000	86 124 000	-		86 124 000	86 124 000		-	100 %	101 %
Other Own Revenue	5 869 000	8 098 000	13 967 000	-		13 967 000	4 668 724		(9 298 276)	33 %	80 %
Total revenue (excluding capital transfers and contributions)	**144 977 000**	**8 895 000**	**153 872 000**	**-**		**153 872 000**	**130 938 881**		**(22 933 119)**	**85 %**	**90 %**
Employee Costs	(53 418 000)	266 000	(53 152 000)	-	-	(53 152 000)	(56 109 289)	-	(2 957 289)	106 %	105 %
Remuneration of Councillors	(9 298 000)	-	(9 298 000)	-	-	(9 298 000)	(9 317 067)	-	(19 067)	100 %	100 %
Depreciation and Asset Impairment	(10 145 000)	-	(10 145 000)			(10 145 000)	(19 922 557)	-	(9 777 557)	196 %	196 %
Interest Paid	-	-	-	-	-	-	(990 712)	-	(990 712)	100 %	100 %
Materials and Bulk Purchases	(28 932 000)	2 522 000	(26 410 000)	-	-	(26 410 000)	(19 091 365)	-	7 318 635	72 %	66 %
Other Expenditure	(39 909 000)	(8 269 000)	(48 178 000)	-	-	(48 178 000)	(53 092 402)	-	(4 914 402)	110 %	133 %
Total Expenditure	**(141 702 000)**	**(5 481 000)**	**(147 183 000)**	**-**	**-**	**(147 183 000)**	**(158 523 392)**	**-**	**(11 340 392)**	**108 %**	**112 %**
Surplus/(Deficit)	**3 275 000**	**3 414 000**	**6 689 000**	**-**		**6 689 000**	**(27 584 511)**		**(34 273 511)**	**(412)%**	**(842)%**

Mthonjaneni Local Municipality

(Registration number KZN 285)
Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	33 033 000	-	33 033 000	-		33 033 000	33 033 000		-	100 %	100 %
Surplus (Deficit) after capital transfers and contributions	**36 308 000**	**3 414 000**	**39 722 000**	**-**		**39 722 000**	**5 448 489**		**(34 273 511)**	**14 %**	**15 %**
Surplus/(Deficit) for the year	**36 308 000**	**3 414 000**	**39 722 000**	**-**		**39 722 000**	**5 448 489**		**(34 273 511)**	**14 %**	**15 %**
Capital expenditure and funds sources											
Total Capital Expenditure	35 908 000	4 010 000	39 918 000	-		39 918 000	35 281 621		(4 636 379)	88 %	98 %
Sources of capital funds											
Transfers recognised - capital	33 033 000	-	33 033 000	-		33 033 000	33 033 000		-	100 %	100 %
Internally generated funds	3 125 000	3 760 000	6 885 000	-		6 885 000	2 248 621		(4 636 379)	33 %	72 %
Total sources of capital funds	**36 158 000**	**3 760 000**	**39 918 000**	**-**		**39 918 000**	**35 281 621**		**(4 636 379)**	**88 %**	**98 %**

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	45 055 000	(3 413 000)	41 642 000	-		41 642 000	34 590 509		(7 051 491)	83 %	77 %
Net cash from (used) investing	(36 158 000)	17 233 000	(18 925 000)	-		(18 925 000)	(32 470 010)		(13 545 010)	172 %	90 %
Net increase/(decrease) in cash and cash equivalents	**8 897 000**	**13 820 000**	**22 717 000**	**-**		**22 717 000**	**2 120 499**		**(20 596 501)**	**9 %**	**24 %**
Cash and cash equivalents at the beginning of the year	1 215 000	264 000	1 479 000	-		1 479 000	2 693 794		1 214 794	182 %	222 %
Cash and cash equivalents at year end	**10 112 000**	**14 084 000**	**24 196 000**	**-**		**24 196 000**	**4 814 293**		**19 381 707**	**20 %**	**48 %**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The amounts presented in the annual financial statements are rounded-off to the nearest rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Biological assets

The municipality recognises biological assets or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	40 years

Accounting Policies

1.5 Investment property (continued)

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	15- 30 Years
Machinery and equipment	Straight line	10 Years
Furniture and office equipment	Straight line	7 Years
Transport Assets	Straight line	7 Years
Computer equipment	Straight line	3- 5 Years
Infrastructure	Straight line	10- 15 Years
Community	Straight line	25 Years
Other property, plant and equipment	Straight line	30 Years

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Accounting Policies

1.6 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements..

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Amortisation method	Average useful life
Computer software	Straight line	5 Years

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Accounting Policies

1.9 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends or similar distributions received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the entity's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.9 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Financial liabilities instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.9 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

the rights to receive cash flows from the asset have expired;
the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
the entity has transferred its rights to receive cash flows from the asset and either
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a municipality of financial assets with similar credit risk characteristics and that municipality of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.10 Tax

Value Added Tax

The municipality is registered with the South African Revenue Service (SARS) for VAT on the invoice basis in accordance with Section 15(2) of the Value Added Tax Act No. 81 of 1991.

Accounting Policies

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an municipality that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another municipality either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an municipality considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.15 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one municipality, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and

1.15 Employee benefits (continued)

- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an municipality:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in municipality combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.17 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Revenue arising from the use by others of municipality assets yielding interest, similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.20 Government grants

Grants received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions.

Where there are conditions attached to a grant or transfer that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without conditions attached are recognised as revenue in full when the asset is recognised, at an amount equaling fair value of the asset received.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.22 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Accounting Policies

1.28 Related parties

A related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an municipality that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an municipality so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting municipality and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an municipality, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual municipality or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting munici's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the municipality's financial statements to understand the effect of related party transactions on its annual financial statements.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	The impact is not material.
Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	The impact is not material.
GRAP 20: Related parties	01 April 2019	The impact is not material.
GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The impact is not material.
GRAP 108: Statutory Receivables	01 April 2019	The impact is not material.
GRAP 109: Accounting by Principals and Agents	01 April 2019	The impact is not material.
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	01 April 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Inventories

Consumable stores	738 578	445 750

Inventory pledged as security

There is no Inventory pledged as security.

4. Receivables from Non-Exchange Transactions

Fines	13 441 127	14 759 392
Other non-exchange receivable (Ntambanana Split)	-	5 715 430
Consumer debtors - Rates	16 061 699	17 045 135
	29 502 826	**37 519 957**

Property rates debtors disclosure

Gross balances	21 028 734	21 563 779
Allowance for impairment	(4 967 034)	(4 518 642)
	16 061 700	**17 045 137**

Rates		
Current (0-30 days)	427 051	379 652
31- 60 days	865 012	763 311
61- 90 days	480 845	325 731
91- 120 days	279 488	315 602
121- 365 days	177 409	197 874
> 365 days	13 831 895	15 062 967
	16 061 700	**17 045 137**

Reconciliation of provision for impairment traffic fines

Opening balance	(74 586 748)	(72 799 825)
Provision for impairment	(1 796 487)	(1 786 923)
	(76 383 235)	**(74 586 748)**

5. VAT receivable

VAT	2 925 898	730 276

6. Receivables From Exchange Transactions

Gross balances		
Electricity	5 271 150	5 470 779
Refuse	2 908 324	1 901 218
Creditors with debit balance	46 035	46 035
Property rentals	146 926	288 450
	8 372 435	**7 706 482**

Less: Allowance for impairment		
Electricity	(1 174 490)	(647 987)
Refuse	(1 239 554)	(656 458)
	(2 414 044)	**(1 304 445)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
6. Receivables From Exchange Transactions (continued)		
Net balance		
Electricity	4 096 660	4 822 792
Refuse	1 668 770	1 244 760
Creditors with debit balances	46 035	46 035
Property rentals	146 926	288 450
	5 958 391	**6 402 037**
Included in above is receivables from exchange transactions		
Electricity	4 096 660	4 822 792
Refuse	1 668 770	1 244 760
Property rentals	146 926	288 450
Creditors with debit balances	46 035	46 035
	5 958 391	**6 402 037**
Net balance	**5 958 391**	**6 402 037**
Electricity		
Current (0 -30 days)	1 479 374	1 723 997
31 - 60 days	622 370	285 174
61 - 90 days	330 976	249 500
91 - 120 days	254 500	121 086
121 - 180 days	356 304	219 791
181 - 365 days	192 050	174 507
> 365 days	861 086	2 048 737
	4 096 660	**4 822 792**
Refuse		
Current (0 -30 days)	154 367	118 704
31 - 60 days	83 437	2 030
61 - 90 days	72 936	42 741
91 - 120 days	67 427	36 570
121 - 365 days	72 650	69 062
> 365 days	1 217 953	975 653
	1 668 770	**1 244 760**
Creditors with debit balance		
Current (0 -30 days)	46 035	46 035
Property rentals		
Current (0 -30 days)	20 579	25 399
31 - 60 days	-	47 386
61 - 90 days	6 834	20 139
91 - 120 days	6 834	18 444
121 - 365 days	41 834	106 141
> 365 days	70 845	70 941
	146 926	**288 450**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Receivables From Exchange Transactions (continued)

Reconciliation of allowance for impairment

	2020	2019
Balance at the beginning of the year	(1 304 445)	(956 719)
Contributions to allowance	(1 109 599)	(347 726)
	(2 414 044)	**(1 304 445)**

Receivables from Exchange Transaction pledged as security

There are no Receivables from Exchange Transactions pledged as security.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
Cash on hand	400	1 374
Bank balances	3 219 947	1 097 809
*Short-term deposits	1 593 946	1 594 609
	4 814 293	**2 693 792**

*Short-term deposits have been reclassified from bank balances to improve disclosure.

Cash and cash equivalents pledged as guarantee

	2020	2019
First National Bank - Fixed Deposit - 712450040078 Pledged as a guarantee to Eskom	1 540 000	1 540 000

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	**30 June 2019**	**30 June 2018**	**30 June 2020**	**30 June 2019**	**30 June 2018**
First National Bank - Current (Main) - 54980006117	3 157 939	1 065 038	1 528 893	3 158 027	1 065 058	1 551 189
First National Bank- Current - 62330092470	61 921	32 753	3 550	61 921	32 753	3 550
Investec Bank - Call - 1100435097501	47 268	47 384	59 405	47 268	47 384	59 405
First National Bank - Fixed Deposit - 712450040078	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000	1 540 000
First National Bank - Call Account - 62051262146	106	994	499 351	106	994	499 351
First National Bank - Call - 62532053204	1 176	1 115	25 952	1 176	1 115	25 952
First National Bank - Call Account - 62771806092	2 517	2 385	-	2 517	2 385	-
First National Bank - Call Account - 62771807016	2 881	2 730	-	2 881	2 730	-
Total	**4 813 808**	**2 692 399**	**3 657 151**	**4 813 896**	**2 692 419**	**3 679 447**

Notes to the Annual Financial Statements

Figures in Rand

8. Biological assets

	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Plantation	1 211 074	-	1 211 074	2 762 238	-	2 762 238

Reconciliation of biological assets - 2020

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	2 762 238	(1 551 163)	1 211 074

Reconciliation of biological assets - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Plantation	1 505 763	1 256 475	2 762 238

Pledged as security

There is no plantation pledged as security.

The plantation is planted forestry area totalling 72.09 ha. Valuation is performed on annual basis.

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2020			2019		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Investment Properties	238 995	(150 790)	88 205	238 995	(132 644)	106 351

Reconciliation of investment property - 2020

	Opening balance	**Depreciation**	**Total**
Investment Properties	106 351	(18 146)	88 205

Reconciliation of investment property - 2019

	Opening balance	**Depreciation**	**Total**
Investment Properties	111 773	(5 422)	106 351

Pledged as security

There is no Investment Property pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	237 187	261 926

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	46 198 292	-	46 198 292	46 198 292	-	46 198 292
Machinery and Equipment	5 259 323	(2 378 062)	2 881 261	4 938 486	(1 866 032)	3 072 454
Furniture and Office Equipment	1 862 594	(990 304)	872 290	1 753 018	.(837 615)	915 403
Transport Assets	10 308 504	(5 892 341)	4 416 163	13 952 388	(8 106 517)	5 845 871
Computer Equipment	962 153	(539 001)	423 152	888 378	(433 530)	454 848
Community Assets	105 384 747	(25 699 891)	79 684 856	100 227 499	(20 345 299)	79 882 200
Road infrastructure	117 636 710	(21 417 963)	96 218 747	95 723 502	(14 699 306)	81 024 196
Work in Progress	54 930 573	-	54 930 573	48 136 037	-	48 136 037
Stormwater Infrastructure	9 024 644	(1 865 956)	7 158 688	8 993 093	(1 447 877)	7 545 216
Solid Waste Infrastructure	142 995	(64 406)	78 589	209 004	(59 036)	149 968
Water Supply Infrastructure	1 984 882	(595 465)	1 389 417	1 984 882	(396 976)	1 587 906
Electrical Infrastructure	88 389 043	(19 143 702)	69 245 341	88 389 043	(14 906 268)	73 482 775
Other Assets	27 699 052	(8 002 664)	19 696 388	27 699 052	(6 729 477)	20 969 575
Total	**469 783 512**	**(86 589 755)**	**383 193 757**	**439 092 674**	**(69 827 933)**	**369 264 741**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	46 198 292	-	-	-	-	-	-	46 198 292
Machinery and Equipment	3 072 454	320 837	-	-	-	(512 030)	-	2 881 261
Furniture and Office Equipment	915 403	109 576	-	-	-	(152 689)	-	872 290
Transport Assets	5 845 871	880 890	(1 392 119)	-	-	(918 479)	-	4 416 163
Computer Equipment	454 848	73 775	-	-	-	(105 471)	-	423 152
Community Assets	79 882 200	-	-	5 157 248	-	(5 352 878)	(1 714)	79 684 856
Road Infrastructure	81 024 196	28	-	21 913 180	-	(6 718 657)	-	96 218 747
Work in Progress	48 136 037	33 896 515	-	(27 101 979)	-	-	-	54 930 573
Stormwater Infrastructure	7 545 216	-	-	31 551	-	(409 518)	(8 561)	7 158 688
Solid Waste Infrastructure	149 968	-	-	-	(66 009)	(5 370)	-	78 589
Water Supply Infrastructure	1 587 906	-	-	-	-	(198 489)	-	1 389 417
Electrical Infrastructure	73 482 775	-	-	-	-	(4 237 434)	-	69 245 341
Other Assets	20 969 575	-	-	-	-	(1 273 187)	-	19 696 388
	369 264 741	**35 281 621**	**(1 392 119)**	**-**	**(66 009)**	**(19 884 202)**	**(10 275)**	**383 193 757**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Prior period adjustments	Total
Land	46 198 292	-	-	-	-	46 198 292
Machinery and Equipment	3 171 196	450 864	-	(598 079)	48 473	3 072 454
Furniture and Office Equipment	877 956	77 131	-	(148 678)	108 994	915 403
Transport Assets	7 306 250	-	-	(1 631 353)	170 974	5 845 871
Computer Equipment	340 212	148 542	-	(100 667)	66 761	454 848
Community Assets	78 537 776	41 534	4 829 546	(3 526 656)	-	79 882 200
Road Infrastructure	81 770 031	106 143	3 532 505	(4 384 483)	-	81 024 196
Work in Progress	33 389 985	33 826 321	(19 080 269)	-	-	48 136 037
Stormwater Infrastructure	7 886 333	-	-	(341 117)	-	7 545 216
Solid Waste Infrastructure	155 455	-	-	(5 487)	-	149 968
Water Supply Infrastructure	1 786 394	-	-	(198 488)	-	1 587 906
Electrical Infrastructure	68 086 952	-	10 718 218	(5 322 395)	-	73 482 775
Other Assets	21 846 810	332 484	-	(1 209 719)	-	20 969 575
	351 353 642	**34 983 019**	**-**	**(17 467 122)**	**395 202**	**369 264 741**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

10. Property, plant and equipment (continued)

Pledged as security

There are no assets pledged as security.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	2020	2019
Thubalethu Housing Project The final road layers will be constructed as soon as the housing project is complete. This is due to the heavy plant that may damage the road if finalised before the houses are completed.	8 519 531	8 519 531
Manzawayo Gravel Road Extension of time was granted due to additional works and delays caused by the Corona Virus 2019 pandemic.	5 168 665	2 531 200
Nungwini Gravel Road Extension of time was granted due to additional work and delays caused by the Corona Virus 2019 pandemic.	6 488 522	4 118 609
	20 176 718	**15 169 340**

Reconciliation of Work-in-Progress 2020

	Included within Electrical Infrastructure	Included within Community Assets	Included within Road Infrastructure	Included within Other Assets	Total
Opening balance	20 012 325	2 503 160	17 101 020	8 519 531	48 136 036
Additions	13 134 713	4 260 904	16 500 898	-	33 896 516
Transferred to completed items	-	(5 157 248)	(21 944 731)	-	(27 101 979)
	33 147 038	**1 606 816**	**11 657 187**	**8 519 531**	**54 930 573**

Reconciliation of Work-in-Progress 2019

	Included within Electrical Infrastructure	Included within Community Assets	Included within Road Infrastructure	Included within Other Assets	Total
Opening balance	17 496 172	1 449 675	5 924 605	8 519 531	33 389 983
Additions	13 234 371	5 883 031	14 708 920	-	33 826 322
Transferred to completed items	(10 718 218)	(4 829 546)	(3 532 505)	-	(19 080 269)
	20 012 325	**2 503 160**	**17 101 020**	**8 519 531**	**48 136 037**

Figures in Rand	2020	2019

10. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Expenditure incurred to repair and maintain Property, plant and equipment included in Statement of Financial Performance		
Contracted services	4 396 443	2 182 139
Materials	-	2 414 064
	4 396 443	**4 596 203**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2020			2019		
	Cost	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	237 563	(214 162)	23 401	237 563	(204 228)	33 335

Reconciliation of intangible assets - 2020

	Opening balance	**Amortisation**	**Total**
Computer software	33 335	(9 934)	23 401

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	35 391	14 300	(16 356)	33 335

Notes to the Annual Financial Statements

Figures in Rand

12. Heritage assets

	2020			2019		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical monuments	589	-	589	589	-	589

Reconciliation of heritage assets 2020

	Opening balance	**Total**
Historical monuments	589	589

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Historical monuments	589	589

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

13. Payables from exchange transactions

Trade payables	16 650 462	18 434 482
Payments received in advanced - contract in process	927 035	927 035
Retentions	4 277 901	3 427 085
Third parties - payroll	5 446 797	2 993 579
Other payables	1 631 406	874 511
	28 933 601	**26 656 692**

14. Consumer deposits

Electricity	693 179	689 916
Other consumer deposits	332 627	331 096
	1 025 806	**1 021 012**

15. Unspent conditional grants and receipts

Unspent/(overspent) conditional grants and receipts comprises of:

Unspent/(overspent) conditional grants and receipts		
COGTA Grant	17 134	17 134

16. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	3 795 190	-	-	(66 009)	3 729 181
Provision for bonuses	412 091	1 251 004	-	-	1 663 095
Provision for leave pay	3 208 716	751 422	(215 541)	-	3 744 597
Employee benefit cost	2 087 000	132 616	-	-	2 219 616
	9 502 997	**2 135 042**	**(215 541)**	**(66 009)**	**11 356 489**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	3 327 283	347 127	-	-	120 780	3 795 190
Provision for bonuses	500 514	-	-	(88 423)	-	412 091
Provision for leave pay	2 760 441	612 894	(164 619)	-	-	3 208 716
Employee benefit cost	1 780 000	546 636	(239 636)	-	-	2 087 000
	8 368 238	**1 506 657**	**(404 255)**	**(88 423)**	**120 780**	**9 502 997**

Non-current liabilities	5 785 459	5 759 605
Current liabilities	5 571 030	3 743 392
	11 356 489	**9 502 997**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Employee benefit obligations

Defined benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid fund which is associated with the municipality, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund upon retirement. In such cases, the municipality is liable for a portion of the medical aid membership fee. The most recent actuarial valuations were carried out at 30 June 2020 by One Pangafa, Fellow of the Faculty of Actuaries and Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Post retirement medical aid plan

The Municipality has agreed to subsidise the medical aid contributions of continuation pensioners in the following way:

- All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy upon attaining retirement age.
- All new pensioners (that are currently still in service) and their dependents will receive a 60% subsidy subject to the maximum (CAP) amount of R4,492.35 (per month per member).
- All existing continuation members (pensioners) and their dependents will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R4,492.35 (per month per member).
- The maximum subsidy is expected to increase at 50% of inflation

The amounts recognised in the statement of financial position are as follows:

	2020	2019
Carrying value		
Present value of the defined benefit	(2 356 261)	(3 442 001)

Changes in the present value of the defined benefit obligation are as follows:

	2020	2019
Opening balance	3 442 001	2 761 001
Net expense recognised in the statement of financial performance	(1 085 740)	681 000
	2 356 261	**3 442 001**

Net expense recognised in the statement of financial performance

	2020	2019
Current service cost	349 000	291 000
Interest cost	306 000	248 000
Actuarial (gains) losses	(1 707 740)	173 000
Expected return on reimbursement rights	(33 000)	(31 000)
	(1 085 740)	**681 000**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	14,34 %	8,93 %
Medical cost trend rates	10,60 %	7,70 %
Expected increase in salaries	6,25 %	7,20 %
Expected pension increases	6,20 %	6,20 %

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

18. Service charges

Service charges - reconnection fees	125 821	134 263
Sale of electricity	21 456 723	20 367 745
Refuse removal	1 687 798	1 782 335
	23 270 342	**22 284 343**

19. Rental of facilities and equipment

Facilities and equipment		
Rental income	237 187	261 926

20. Licenses and permits

Learner Driver Application	195 049	252 486
Motor Licenses	874 195	1 274 486
Business Licenses	4 755	3 965
Taxi rank Permits	29 248	12 848
	1 103 247	**1 543 785**

21. Other income

Sundry income	234 268	196 867
Building plan fees	22 371	10 811
Cemetery fees	16 400	26 481
Rates clearance certificate	13 198	5 647
Hoarding	9 952	19 524
Photocopying	19 479	20 812
	315 668	**280 142**

22. Investment revenue

Interest revenue		
Bank	935 961	442 388
Interest charged on trade and other receivables	277 929	50 794
Short term deposits	104 387	199 838
	1 318 277	**693 020**

Refer to Note 51, some balances have been reclassified to improve disclosure..

23. Fair value adjustments

Biological assets - (Fair value model)	(1 551 163)	1 256 474

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

24. Property rates

Rates received

Residential	2 411 091	1 662 095
Commercial	5 377 825	5 429 596
State	4 359 940	3 646 121
Agriculture	1 865 483	1 168 181
Public service infrastructure	33	31
Vacant land	221 194	218 985
	14 235 566	12 125 009
Property rates - penalties imposed	1 321 972	1 328 042
	15 557 538	**13 453 051**

Valuations

Agriculture	875 933 000	905 373 000
Commercial	305 603 000	389 477 000
Municipal Properties	62 321 532	62 321 532
Places of worship	9 940 000	9 766 000
Public service Infrastructure	23 000	23 000
Public service purpose	254 370 000	-
Residential	340 664 000	334 694 000
State Trust Land	36 540 000	290 910 000
Vacant Land	12 455 688	12 620 688
Industrial	10 440 000	-
Land reform	44 860 000	-
Public benefit organisation	800 000	-
	1 953 950 220	**2 005 185 220**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. annual valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2020.

Property Rates Tarrifs:

Cent amount in the Rand determined for the relevant property category:

Agriculture	0.36	0.34
Commercial	1.82	1.75
Industrial	1.82	1.72
Public Service Infrastructure	0.36	0.34
Public Service Purpose	1.45	1.38
State Owned	1.45	1.38
Residential	1.45	1.38
Rural Tourism and Hospitality	1.45	1.38
State Trust Land	1.80	1.72
Urban Tourism and Hospitality	1.38	1.38
Vacant Land	1.72	1.72

Rebates:

Residential Properties	20%	20%
State Owned	0%	0%
Agriculture	18%	18%
Public Service Infrastructure	30%	30%
All Other Properties	18%	18%

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Government grants and subsidies

Operating grants		
Equitable share	79 412 000	70 979 000
Expanded Public Works Programme (EPWP)	2 026 000	1 808 000
Financial Management Grant (FMG)	2 850 000	2 850 000
Community Library Grant*	211 000	197 000
Provincialization of Libraries Grant*	880 000	838 000
Municipal Disaster Relief Grant	745 000	-
	86 124 000	**76 672 000**
Capital grants		
Municipal Infrastructure Grant	18 033 000	21 749 000
Integrated National Electrification Grant (INEG)	15 000 000	15 000 000
	33 033 000	**36 749 000**
Total	**119 157 000**	**113 421 000**

Integrated National Electrification Grant (INEG)

Current-year receipts	15 000 000	15 000 000
Conditions met - transferred to revenue	(15 000 000)	(15 000 000)
	-	-

COGTA Grant

Balance unspent at beginning of year	17 134	17 134

Conditions still to be met - remain liabilities (see note 15).

Expanded Public Works Programme Grant

Current-year receipts	2 026 000	1 808 000
Conditions met - transferred to revenue	(2 026 000)	(1 808 000)
	-	-

Financial Management Grant

Current-year receipts	2 850 000	2 850 000
Conditions met - transferred to revenue	(2 850 000)	(2 850 000)
	-	-

Municipal Infrastructure Grant

Current-year receipts	18 033 000	21 749 000
Conditions met - transferred to revenue	(18 033 000)	(21 749 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Government grants and subsidies (continued)

Municipal Disaster Relief Grant

Current-year receipts	745 000	-
Conditions met - transferred to revenue	(745 000)	-
	-	-

Community Library Grant*

Current-year receipts	211 000	211 000
Conditions met - transferred to revenue	(211 000)	(211 000)
	-	-

Provincialization of Libraries Grant*

Current-year receipts	880 000	838 000
Conditions met - transferred to revenue	(880 000)	(838 000)
	-	-

*In the prior year, Community Library Grant and Provincialisation of Libraries Grant were disclosed as one.

26. Fines, Penalties and Forfeits

Traffic Fines	507 390	426 150

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs

Basic	35 868 692	32 486 793
Bonus	2 347 358	2 001 029
Medical aid - company contributions	2 098 780	2 151 435
UIF	287 870	275 228
SALGA	15 665	13 676
Leave pay provision charge	514 729	164 619
Allowances	2 678 656	1 837 636
Overtime	2 026 708	2 815 772
Defined contribution plans	5 065 702	4 093 144
Travel, motor car, accommodation, subsistence and other allowances	3 795 955	3 279 810
Long-service awards	109 172	239 636
Housing benefits and allowances	916 754	927 364
Skills Development Levy	383 248	521 929
	56 109 289	**50 808 071**

Remuneration of Municipal Manager - P.P. Sibiya

Annual Remuneration	1 045 857	1 013 285
Car Allowance	150 000	150 000
Contributions to UIF	1 785	1 785
Remote Allowance	47 834	46 531
Skills Development Levy	9 832	11 798
	1 255 308	**1 223 399**

Remuneration of Director Technical Services - S.F Mchunu

Annual Remuneration	635 063	601 459
Car Allowance	180 000	180 000
Contributions to UIF	1 785	1 785
Remote Allowance	32 603	31 258
Cell Phone Allowance	18 000	18 000
Other- Travel, Accommodation and Incidentals	-	26 742
Skills Development Levy	6 632	7 949
	874 083	**867 193**

Remuneration of Acting Chief Financial Officer - N.M. Myeni

Acting Allowance	65 186	41 624
	65 186	**41 624**

Remuneration of Chief Financial Officer - N.M. Myeni

Annual Remuneration	489 117	-
Car Allowance	87 500	-
Cellphone Allowance	9 000	-
Contributions to UIF, Medical and Pension Funds	9 622	-
Remote Allowance	23 064	-
	618 303	**-**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Employee related costs (continued)

Remuneration of Director Corporate & Community Services - Z.S Mthethwa

	2020	2019
Annual Remuneration	683 626	646 290
Car Allowance	150 000	150 000
Contributions to UIF	1 785	1 785
Remote Allowance	36 225	34 732
Housing Allowance	72 000	72 000
Skills Development Levy	7 282	8 730
	950 918	**913 537**

Remuneration of Acting Director Community Services - F.S Mazibuko

	2020	2019
Acting Allowance	-	29 987
	-	**29 987**

Remuneration of Acting Director Community Services - B.C.X Dladla

	2020	2019
Acting Allowance	-	30 344
	-	**30 344**

28. Remuneration of councillors

	2020	2019
Hon. Mayor	904 441	771 235
Deputy Mayor	731 748	626 728
Executive Committee Members	1 206 703	1 164 840
Hon. Speaker	426 311	410 220
All Other Councillors	6 047 864	5 754 104
	9 317 067	**8 727 127**

In-kind benefits

The Hon. Mayor and Deputy Mayor are full time. Hon. Speaker and Executive Committee Members are part-time. Hon. Mayor, Hon Speaker and Deputy Mayor, each are provided with an office and secretarial support at the cost of the Council.

The Hon. Mayor. Hon. Speaker and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Hon. Mayor, Deputy Mayor and Hon. Speaker each have a driver and a full-time bodyguard.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

29. Depreciation and amortisation

Property, plant and equipment	19 884 200	17 071 921
Investment property	18 147	5 421
Intangible assets	9 935	16 356
	19 912 282	**17 093 698**

30. Interest paid

Interest and penalties paid	990 712	341 816

Interest and penalties paid are mainly due to cash flow challenges which resulted due to arrears on accounts such as Eskom, Telkom, Auditor General, South African Revenue Service and Pension Funds.

31. Impairment of assets

Impairments		
Property, plant and equipment	10 275	-

32. Lease rentals on operating lease

Equipment		
Contractual amounts	631 690	482 756
Plant and equipment		
Lease expenses	578 120	-
	1 209 810	**482 756**

33. Bulk purchases

Electricity - Eskom	19 091 365	22 302 722

34. Contracted services

Operating Leases	723 449	959 197
Other Contractors	1 916 059	4 883 469
Specialist Services	806 959	1 297 171
Outsourced Services		
Business and Advisory	2 981 879	4 958 400
Catering Services	744 772	994 738
Cleaning Services	2 649 074	-
Clearing and Grass Cutting Services	142 609	-
Refuse Removal	385 130	308 000
Security Services	2 158 977	3 395 462
Transport Services	168 500	235 078
Website Maintenance	109 822	48 092
Consultants and Professional Services		
Business and Advisory	174 000	503 043
Infrastructure and Planning	380 611	-
Property Valuation Fees	2 003 936	181 849
Legal Cost	279 492	825 213

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

34. Contracted services (continued)

Contractors		
Audio-visual Services	-	39 427
Catering Services	210 571	438 841
Employee Wellness	63 000	140 000
Event Promoters	1 554 199	-
First Aid	173 940	18 814
Maintenance of Buildings and Facilities	1 143 744	355 001
Maintenance of Equipment	537 568	1 476 632
Management of Transport Assets	980 417	844 455
Medical Services	36 943	-
Maintenance of Infrastructure	1 734 714	1 557 794
Transportation	369 850	256 950
Total	**22 430 215**	**23 717 626**

Refer to Note 51. Some balances have been reclassified to improve disclosure.

35. Operational Costs

Advertising & Publicity	4 042 512	4 141 873
Assessment rates & municipal charges	8 193	74 324
Assets expensed	9 181	72 813
Auditors remuneration	2 211 842	2 318 286
Bank charges	122 348	97 512
Bursaries	288 899	551 248
Community development and training	21 300	578 826
Conferences and seminars	41 156	147 253
Consumables	1 123 663	1 628 088
Contribution to Provistion for Impairment	5 259 664	2 790 409
Contribution to other provision	-	1 134 759
EPWP Stipends	3 148 066	2 762 526
Electricity	795 266	1 721 059
Fuel and oil	1 702 540	1 673 909
Hire	143 200	265 355
IT expenses	124 245	117 831
Indigent Relief	936 523	868 088
Insurance	966 696	445 528
LED Projects	1 458 157	280 079
Management fees	-	158 883
Other expenses	25 568	139 944
Packaging	-	6 547
Printing and stationery	386 125	543 863
Protective clothing	320 763	739 118
Repairs and maintenance	-	314 230
Staff welfare	-	192 185
Subscriptions and membership fees	556 433	563 699
Telephone and fax	993 568	937 689
Traffic fines written-off	-	189 625
Training	70 271	161 835
Travel and subsistence	697 211	1 551 596
Ward committee	1 754 100	1 811 900
Water	413 415	191 356
Workmen's compensation	280 309	249 004
	27 901 214	**29 421 240**

Refer to Note 51. Some balances have been reclassified to improve disclosure.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

36. Auditors' remuneration

Fees	2 211 842	2 318 286

37. Cash generated from operations

Surplus	5 448 489	43 836
Adjustments for:		
Depreciation and amortisation	19 912 282	17 093 698
Gain on disposal of property, plant and equipment	(1 419 489)	-
Fair value adjustments	1 551 163	(1 256 474)
Impairment loss	10 275	-
Movements in retirement benefit assets and liabilities	(1 085 740)	681 000
Movements in provisions	1 853 492	1 134 759
Landfill provision adjustment	66 009	-
Other non-cash items	(4)	-
Changes in working capital:		
Inventories	(292 828)	98 074
Consumer debtors	443 646	(828 947)
Other receivables from non-exchange transactions	8 017 131	137 286
Payables from exchange transactions	2 276 911	13 914 893
VAT	(2 195 622)	3 073 455
Consumer deposits	4 794	(59 638)
	34 590 509	**34 031 942**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

38. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	5 958 391	-	5 958 391
Other receivables from non-exchange transactions	29 502 826	-	29 502 826
Cash and cash equivalents	-	4 814 293	4 814 293
	35 461 217	**4 814 293**	**40 275 510**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	28 933 601	28 933 601

2019

Financial assets

	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	6 402 037	-	6 402 037
Other receivables from non-exchange transactions	37 519 957	-	37 519 957
Cash and cash equivalents	-	2 693 794	2 693 794
	43 921 994	**2 693 794**	**46 615 788**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	26 656 691	26 656 691

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Property, plant and equipment	34 327 461	35 600 007

Total capital commitments		
Already contracted for but not provided for	34 327 461	35 600 007

Operating leases - as Lessee (expense)

Minimum lease payments due		
- within one year	517 640	509 918

Operating lease payments represent rentals payable by the municipality for certain of its telephone equipment, photocopiers and motor vehicles. No contingent rent is payable.

Operating leases - as Lessor (income)

Minimum lease payments due		
- within one year	158 485	186 778
- in second to fifth year inclusive	247 334	246 667
	405 819	**433 445**

Certain commonage and vacant land is held to generate rental income. Lease agreements are non-cancellable and there are no contingent rents receivable.

40. Contingencies

There is a pending litigation case against the Municipality relating to a dispute with the MEC for CoGTA KZN, concerning the appointment of Senior Managers.

The legal counsel's estimate of the financial exposure is an amount of R 400,000. The Municipality's Lawyers and Management do not believe that the Municipality will be exposed on the results of the case.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

41. Related parties

Related party balances

The following councillors and key management owed the municipality in respect of traffic fines as at 30 June 2020.

Councillors		
Cllr S.B.K Biyela (Mayor)	500	500
Cllr P.E Ntombela (Deputy Mayor)	2 350	2 350
Cllr N.A Mbatha (Speaker)	2 900	2 900
Cllr M.N Ndlangamandla	4 950	4 950
Cllr H.K.L Zungu	10 250	10 250
Cllr E.M Masikane	1 850	1 850
Cllr J Mlawu	1 450	1 450
Cllr B.M.T Sibiya	5 900	5 900
Cllr D.F Xulu	600	600
Cllr T.F Zincume	150	150
Cllr T.E Mpungose	200	200
Cllr D.M Dludla	5 600	5 600
Cllr Z.A Sibiya	400	400
	37 100	37 100
Directors		
Mr P.P. Sibiya (Municipal Manager)	26 000	26 000
Mr Z.S Mthethwa (Director Community Services)	5 450	5 450
Mr S Mchunu (Director Technical Services)	950	950
	32 400	32 400

As per Section 124 (1)(b) of the MFMA, the following Councillors owed the Municipality in respect of property rates and service charges for a period of more than 90 days as at 30 June 2020.

Councillors	**2020**	**2019**
Cllr M.N. Ndlangamandla	1 522	2 739
Cllr N.A. Mbatha	2 346	5 304
Cllr E.M. Masikane	6 093	4 358
	9 961	**12 401**

Refer to note 27 and note 28 for disclosure of remuneration of key management and councillors.

42. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department (municipality treasury) under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

42. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities	31 008 268	30 098 693

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Cash and cash equivalents	4 814 293	2 693 793
Trade and other receivables	5 958 391	6 402 037
	10 772 684	**9 095 830**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

43. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

(a) The Accounting Officer continue to procure funding for the ongoing operations for the Municipality.

(b) The Municipality have not lost any of the key customers or principal suppliers.

(c) The Municipality does not experience Labour difficulties.

(d) The Municipality does not have shortage of important suppliers.

(e) Financial results, bank account balance and net asset are all positive.

There is also no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.

In addition, the municipality collects revenue for services rendered and the will augment their cash flows in subsequent years.

There was an outbreak of COVID-19 whcih was declared an epidemic by the World Health Organisation and following that, the South African Government declared 21 days of lockdown. Inspite of the COVID-19 outbreak, the municipality will continue as a going concern as is it part of the institutions that supply critical services and a fund has also been set up to support these institutions that supply critical services to the community it serves. The President of South Africa also pledged support for all institutions that supply critical sevices and a fund has also been set to support the institutions. Unemployment Insurance Fund will also be used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseable future.

44. Unauthorised expenditure

Opening balance as previously reported	33 129 821	33 129 821

45. Fruitless and wasteful expenditure

Opening balance as previously reported	398 320	56 504
Subtotal	**398 320**	**56 504**
Add: Fruitless and Wasteful Expenditure - Current year	990 712	341 816
Closing balance	**1 389 032**	**398 320**

Fruitless and wasteful expenditure comprises of interest on overdue accounts.

46. Irregular expenditure

Opening balance	87 923 008	110 555 332
Add: Irregular Expenditure - current year	23 683 050	23 546 083
Subtotal	**111 606 058**	**134 101 415**
Less: Amount certified by Council as irrecoverable and written off	(28 696 843)	(46 178 407)
Closing balance	**82 909 215**	**87 923 008**

Figures in Rand	2020	2019

46. Irregular expenditure (continued)

Details of Irregular expenditure due to non-compliance with Section 29(2) Regulations

Dolphin Coast Solutions	188 425	256 999
Fidelity Cash Solutions	76 976	70 174
Bargain Uniform	-	540 246
Brockwell Auto Engineering	336 927	-
Buthelezi Mtshali Mzulwini Attorneys	440 360	886 888
Chico Man Trading (Pty) Ltd	1 075 000	-
Ethala Construction	177 200	1 115 021
Induna Logistics	-	382 357
Indwe Risk Services	1 111 701	512 357
Jabulani Teressa Construction	538 883	1 138 037
Konica Minolta Zululand	269 946	174 496
Magubane Plant and Construction	757 160	-
Mfezi Security	2 423 806	2 291 233
Ntungani Construction	2 425 905	3 746 354
Sigcinubunye Funeral Services	492 940	-
Silo Group Holdings	418 186	3 351 237
Snobho (Pty) Ltd	41 400	-
Somkhanda Plant Hire	9 678 001	6 109 608
Sukumasakhe 968 Trading	2 000 106	1 526 539
Sure Boss Trading and Projects	660 238	-
TMT Services	-	275 884
Uhaqane MI Contractors	126 042	-
Uzamile Trading CC	184 748	-
Total	**23 423 950**	**22 377 430**

The Irregular Expenditure is as a result of appointments that were adjudicated by the Bid Committee comprising of three Senior Managers instead of the prescribed four Senior Managers as per Section 29(2) of the SCM Regulations.

Details of irregular expenditure due to non-compliance with tax regulations

SollyM	-	71 020
KFC Melmoth	-	218 680
Coalition Trading	-	70 400
Mthonjaneni Transport	109 100	120 000
Mjwaqu Mzamo (Pty) Ltd	-	112 683
Judy Magwaza Trading	-	98 700
Selwels Sports	-	257 920
BP Driving School	150 000	219 250
	259 100	**1 168 653**

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription fee	521 271	500 960
Amount paid - current year	(521 271)	(500 960)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity distribution losses

Units lost (Kilowatts)	1 445 470	1 631 275
Units lost (Selling Price)	2 489 061	2 038 155
Units lost (Purchase Price)	1 651 875	2 469 170
Units lost (Percentage)	9.0%	9.0%
	-	-

The electricity distribution losses are mainly due to aging infrastructure, technical losses and illegal connections.

Audit fees

Current year subscription fee	2 211 842	2 318 286
Amount paid - current year	(2 211 842)	(2 318 286)
	-	-

PAYE and UIF

Current year subscription fee	9 802 565	8 845 953
Amount paid - current year	(11 359 158)	(9 513 136)
	(1 556 593)	**(667 183)**

Pension and Medical Aid Deductions

Current year subscription fee	12 606 968	11 054 113
Amount paid - current year	(10 126 362)	(11 902 270)
	2 480 606	**(848 157)**

VAT

VAT receivable	2 925 898	730 276

48. Deviation from supply chain management regulations

Deviations current year (Regulation 36)		
Emergency procurement	5 410 584	1 776 842
Sole supplier or service provider	1 321 104	98 322
Impractical/Impossible to follow procurement process	4 376 929	17 404 214
	11 108 617	**19 279 378**

Deviations current year (Regulation 32)	5 235 989	3 788 809

49. Other revenue

Other income - (rollup)	315 668	280 141

50. Events after the reporting date

On 29 October 2020 the Council of Mthonjaneni Local Municipality approved and certified the irregular expenditure of R28,696,843 that existed at 30 June 2020 as irrecoverable and that it be written off. This is an adjusting post balance sheet event in terms of GRAP 14..

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

51. Comparative figures

Certain comparative figures have been reclassified for improved disclosure.

The effects of the reclassifications are as follows:

	Note	Audited Amount	After Reclassification
Other Income	21	277 050	280 141
Investment Revenue	22	695 572	693 020
Fines, Penalties and Forfeits	26	426 689	426 150
Employee Related Costs	28	51 214 428	50 808 070
Remuneration of Councillors	29	8 349 994	8 727 127
Lease Rentals on Operating Lease	32	-	482 756
Contracted Services	34	7 639 993	23 717 625
Operational Costs	35	45 952 403	29 421 240
		114 556 129	**114 556 129**

52. Prior period adjustments

Presented below are those items contained in the Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows that have been affected by prior year adjustments:

Effects on the Statement of Financial Position

2019

		Balance as previously reported	Adjustment to accumulated depreciation	Restated balance as at 01 July 2020
Property, plant and equipment	10	368 869 540	395 202	369 264 741

Effects on the Statement of Financial Performance

2019

	Balance as previously reported	Adjustment to accumulated depreciation	Restated balance as at 01 July 2020
Depreciation	17 488 900	395 202	17 093 698
Accumulated Surplus/(Deficit)	(351 366)	395 202	43 836
Surplus for the year	**17 137 534**	**790 404**	**17 137 534**

Errors

The error was due to a subsequent conditional assessment performed on Property, Plant and Equipment.

Notes to the Annual Financial Statements

Figures in Rand

53. Budget differences

Material differences between budget and actual amounts

A - Property Rates

We believed property rates will be increased as we had planned to sell many sites and start receiving rates revenue but there was a great negative impact due to Covid 19, we were unable to proceed with sales at the time.

B - Service Charges

Most businesses had to shutdown during lockdown and electricity usage decreased and non-sale of sites resulted in no electricity and refuse being installed resulting in decrease on what was budgeted for.

C - Investment Revenue

Most procurements were paused due to the national lockdown caused by Corona Virus 2019, therefore we ended up investing more than what we budgeted for due to improved liquidity position. Interest charged on overdue accounts has also increased.

D - Other Revenue

Greater part of own revenue was from proceeds on sale of sites which never happened due to lockdown and Corona Virus 2019. Also most all of our adhoc own revenue such as facilities hire, licenses and permits, sale of documents, library and others were stopped mid March 2020 and the rest of the financial year. Also the appointed service provider to assist with Traffic Management couldn't commence with the contract due to lockdown regulations which negatively affected traffic fines.

E - Depreciation and Asset Impairment

The variance was caused by the fact that the municipality did not dispose off all assets as planned, the additions and capital projects that were completed during the financial year and the actual was more than what was anticipated which caused the depreciation and asset impairment to be high.

F - Interest Paid

The municipality did not anticipated to pay interest due to late payments and thus did not budget for it.

G - Capital Expenditure

The municipality has underperformed in implementation of other capital projects due to lockdown regulations that started in March 2020

H - Materials and Bulk Purchases

The variance is caused because the municipality changed from Rural Night Save to Mini Flex Tariff during the financial year which resulted in a saving on bulk purchases charged for the year

53. Budget differences (continued)

I - Employee Related Costs

The 7% variance in employee related costs was a result of vacant posts that were filled before the estimated period as planned, contracts workers that were original not budgeted for but due to operational requirements the municipality needed to fill those posts

J - Operational Costs

Other expenditure comprises of Asset Impairement, Lease Rentals on Operating Lease, Contracted Services, Fair Value Adjustments and Operational Costs. The variance is largely caused by : Fair value adjustments- A plantation held by municipality had a fair value adjustment and the value adjusted to R 1 211 074. Fair value adjustments cannot be reliably budgeted for due to the nature.
Asset impairment- Stormwater infrastructure and community assets were identified as impaired due to the condition.
Operating leases- the municipality hired equipment necessary for repairs and maintenance to property, plant and equipment and entered into new lease agreements for assets used in the operations and service delivery.